



Mirabaud - Global Equity High Income

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Kirill Pyshkin | Anu Narula | Paul Middleton

PERFORMANCE UPDATE

The fund returned +1.25% in February, lagging the very strong market. The biggest drag on performance were Puts on S&P where we lost over 70bps. Our heavy energy overweight weighed on relative performance with a negative contribution of over 60bps. Deutsche Boerse was the largest negative stock-specific name as the LSE tie up seems to have unwound. In contrast, consumer companies contributed the most with Clorox, the biggest positive. Next 4 best contributions were some of the largest market cap US names in different sectors including Cisco, Amgen, Qualcomm and Johnson & Johnson. This may indicate that market is driven higher by ETF flows.

MARKET REVIEW

The ACWI benchmark was up +2.81% in USD terms in February. All sectors were up except for Energy and Telco. Healthcare, Financials, Tech and Utilities led the way. These sectors are not usually correlated, which suggests a sense of lack of direction in the market. The dollar was up slightly over the month; as was oil. Again these two tend to be negatively correlated but are not behaving normally now. The VIX index remained below 12 for the whole month. Market is unusually calm without even a 1% correction of the S&P since October.

PORTFOLIO ACTIVITY

Our activity was very limited in February. We sold the remainder of our position in UPS and started a position in Edenred. Edenred is a global leader in prepaid corporate services, a very attractive industry, which is underpenetrated but consolidated, with Edenred the largest player. The company plays into our "Shift to Digital theme". Our analysis shows Edenred's operating margins may increase significantly over the next few years, for three main reasons. First, we expect a stabilisation and eventual economic recovery in Brazil. Second, we expect to see more benefits from the shift from paper vouchers to digital. Longer term we also expect financial revenues to pick up with interest rates. This increase in margins is not appreciated by the market. The stock currently yields an attractive 4%.

OUTLOOK

Markets have been strong year to date and have broadened out sectorally from the narrow leadership of energy, materials and financials at the end of last year. However expectations for change with Donald Trump's leadership have yet to turn into reality. In addition with energy prices coming back, inflation and bond yields have remained range bound. We have been of the view since the start of the year that expectations have got ahead of themselves and valuations are elevated especially in the US. We maintain low portfolio activity and building up our watch list of high-quality names with dividends, while waiting for sell signals.

marketing-am@mirabaud.com

www.mirabaud-am.com